



Coffee Market Overview

17 February 2023

“Great Certs-pectations”

- Macro got a timely reminder this week that the path lower on inflation is going to be a bumpy one, with prior assumptions about a Fed pivot in H2 looking increasingly tenuous.
- Strong inflation and retail sales data out of the USA sent the dollar back to a 6-week high. Commodities were also mostly higher, while the BRL saw choppy action between 5.16-5.20.
- NY arabica rallied on tightening stocks in consuming countries and soaring diffs in Brazil, which are starting to push certified exchange stocks down again.
- Robusta prices also increased, but at a lag to NY and back to levels where we have seen Vietnamese hedging previously.
- Price volatility saw Brazilian producers continue to take advantage of good internal prices, while tightness in this year’s supply continues to be felt.
- In Vietnam, coffee flow in the domestic market remains sparse; farmers are selling in small parcels awaiting higher prices, supported by additional sources of income from intercropping.
- Indonesian coffee arrivals in the past week was 13% higher w/w and 106% higher than the week commencing 7 Feb in the previous year.
- US green coffee stocks fell to 6.26 mio bags, the lowest in six months on the back of lower supplies from Brazil.
- ICE certified arabica stocks fell to 840.6k bags, with growing concerns on where replenishment will come from. ICE robusta certified stocks decreased to 6120 lots
- COT data for both arabica and robusta markets continues to be unavailable.

Price Comparison

	<u>16.02.23</u>	<u>Change Vs. 09.02.23</u>
ICE Arabica Mar 23 (c/lb)	180.70	7.05
ICE Robusta Mar 23 (\$/mt)	2068	31
Arbitrage Arabica Mar 23 / Robusta Mar 23 (c/lb)	86.90	5.65

ICE Arabica: Yet another choppy week treading over recent ground and closing towards the high of the recent range. The COT will not be published tonight for a third week, which limits market transparency yet again – although the reduction on OI likely points to fund short covering over the period. Certs have started to draw with over 60k bags removed MTD and this seems to have encouraged several receivers for the H3 contract as we move into the notice period. We anticipate that most of the available Brazils on the cert stock are committed and though we see little current demand for the old Centrals we are respectful of the argument that a small quantity of cheap coffee could be used given continuing sky-high origin FOB differentials.

Support: 174.70, 171.25, 168.10

Resistance: 184.20, 193.10, 195.00

ICE Robusta: A quiet week in robusta land as Viets continue to trade actively at levels not too far from TP. Trade is slowly absorbing the remaining origin liquidity and the farmer is a happy seller at historically high local currency prices. The chart is neutral and choppy. We do not see substantial buying close to these prices short term and believe the market could continue to struggle until the Viet crop is finally absorbed.

Support: 2028, 1976, 1934

Resistance: 2112, 2150, 2173

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Brazil

- **Local Market:** Large volatility this week saw the producer continue to take advantage of good internal prices. The bid from exporters seems to continue to be there as the tightness in this year's supply continues to be felt. The industry also participated for the current crop. The midweek retracement from the highs saw producers back away again. Conilon trades at 700 Brl. Local industry came to market for immediate deliveries.
- **Weather:** Nothing alarming to speak of, with generally favorable conditions.
- **Economy / Politics:** A quieter week in local currency with a weekly range of 5.15 to 5.25.
- **Export Market:** More current crop demand showed up this week and business was done. In general, there seems to be a lack of alternatives for the industry and Brazils continue to be needed despite historically high prices. More interest and appetite for new crop is developing too.
- **BMF (type 4/5):** H3 \$ 227
- **Arbitrage BMF/ICE:** KK -8.50
- **Exchange rate:** 5.20 (+0.75%)

Colombia/Latin American Milds

- **Colombia:** The differentials softened further, helped by the weaker currency and the stronger market. Business got a bit more active in various directions. The weather was sunny all over the country. COP: H4947 L4724 C4724
- **Guatemala:** Good volumes changed hands internally during the week, especially with the strong upward movement on Tuesday. Many producers and intermediaries decided to sell with the market move higher, while differentials have remained firm. In a roya incidence report published by Anacafe, states that roya incidence stands at 16.83%, which is an increase vs last year. Good FOB business has been reported too.
- **Honduras:** Internally the availability of the coffee is good as the flow is now coming from the higher areas. Prices remain firm. External demand is lukewarm, demand mainly for certification coffee.
- **Costa Rica:** New York's rally and persisting shy demand and millers achieving their maximum inventory levels are putting downward pressure on differentials. Many argue this situation is temporary/short term opportunity, as expected national harvest is not particularly large. Export activity is functioning smoothly and as normal as it can be.
- **Peru:** In regions such as Moyobamba, San Ignacio, Junin, Pasco, and Jaen, the rains have been present this week, which will help the cherries' development for harvest 23-24. Mild demand for double certification coffees.

Africa/Papua New Guinea

- **Tanzania:** This week we have no Auction as the traders are currently at the AFCA conference, held in Rwanda. Next week TCB has announced an Auction being held in Moshi. The weather is good with both sunny and rainy days.
- **Kenya:** The weather for the last 10 days in Kenya's coffee regions was characterized by sunny days and dry spells. Water stress is observed in the coffee fields.
- **Ethiopia:** The minimum price has been revised down by 3 cts, back to where it was two weeks ago. The Ethiopian Coffee Exporters Association celebrated its 50th anniversary on Monday, 13 February. Many leaders of the industry, past and present, were honored.
- **PNG:** Limited availability this week with much off grades from the past season, on offer in the local markets. Fly crop continues to trickle into the upper highlands. Still quiet until the harvest begins.

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Robusta

- Vietnam:** Upcountry prices increased to 46,000 VND/kg this week, the high of the season so far. Producers remain as disciplined sellers, as exporters push to secure volumes and any sell-offs in London see no reduction in offer prices internally. Grade 2 is trading around -40/-60 FOB for prompt shipment in bulk. Good industry buying interest this week mainly for April shipment onwards. Differentials firmed on the back of a slowing internal market, although a weaker VDN cushioned the impact.
 Weather: cloudy, sunny, mainly dry with to odd spot of rain
 Currency: 23,780 VND
- Indonesia:** Basis asalan traded around 31,500/31,800 IDR/kg equivalent to K+25/+40 basis 80 defects. Volumes of asalan between Monday to Thursday was 3.6k mt. Offers around +70/+80 FOB for 80 defects for Mar and Apr shipment.
 Weather: Normal weather this week in the main coffee areas of Sumatra and Java Islands.
 Currency: 15,216-15,176 IDR/USD

Origin differentials for March onwards shipment cts/lb FOB

	This week		Last week	
Brazil MTGB	ICE Arabica	+10	ICE Arabica	+10
Colombia Excelso	ICE Arabica	+50	ICE Arabica	+53
Honduras HG	ICE Arabica	+28	ICE Arabica	+29
Kenya AB FAQ	ICE Arabica	+60	ICE Arabica	+60
Vietnam Gr2	ICE Robusta	-60	ICE Robusta	-70
Indonesia Gr4 (max 80 defects)	ICE Robusta	+80	ICE Robusta	+70

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